DRUG STORE NEWS®

for the PHARMACIST

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NEWS FOCUS

- Recent federal charges of drug diversion and billing fraud by Medicaid pharmacists haven't soured the American public on pharmacy. Results of a new Gallup Poll announced just last month ranked pharmacists as the nation's most trusted profession for the fourth straight year. A record 66 percent gave pharmacists" "high" or "very high" marks for honesty and ethics—up from 60 percent in a similar poll in 1991.

- Legislation granting states additional time to comply with the September 14 Prescription Drug Marketing Act wholesaler licensing deadline was introduced by Sens. Edward Kennedy (D-MA) and Orrin Hatch (R-UT) earlier this month *(see story page 57)*. At press-time, NWDA and other backers of the bill were prodding Congress to vote on the measure before recessing for this month's GOP convention.

- OBRA '90 rules requiring drug manufacturers to offer their "best price" to Medicaid shouldn't be changed, even though they may be hurting pharmacists, APhA told Congress. "While we're concerned that best price may have adversely affected some of our members in the short term, it has the potential to reduce the negative effects of discriminatory pricing," APhA said. "This will benefit the public generally and lay the foundation for moving away from a product-driven payment system to a system which recognizes pharmacy services such as counseling and drug therapy management."

One more year!
But can we afford it?

The New Pharm.D. proposal graduates to mixed reactions. Will the professional upgrade impede the entry of pharmacists and—starting at around $30 million per graduating year—inflate industry costs?

Cover story on recent developments in the pharmacy education debate begins on page 23.

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editor's note

Medical ethics prompt pharmacist action

I see that Dr. Jack Kevorkian, the Michigan "suicide doctor," had all charges against him dropped last month. The controversy over his response to challenges posed by dying patients makes me wonder if pharmacists will become directly involved in such life-and-death decisions? Given the vast arsenal of powerful medications we have today and will have tomorrow, the focus on quality of life issues and increasing patient involvement in personal health care outcomes, it is logical that pharmacy will somehow be involved.

Other professionals are addressing the same issue. The American Society of Law & Medicine, at its annual meeting this October, will feature a town hall meeting to discuss "Health Care Professionals and Treatment at the End of Life." Medical decisions that might be made at the end of life include withdrawing or withholding treatment, dilemmas regarding the management of pain and suffering and medically assisted suicides. For more information on this important conference, contact Kristin McCarthy, ASLM at (617) 262-4990.

* * *

On a happier note, I'm pleased to announce the appointment of the newest member to our Board of Advisers, Robert W. McCurdy, vp-pharmacy at Phar-Mor. Bob received his B.S. in Pharmacy degree from Ohio Northern University in 1965 and his Masters in Education from the University of Hartford in 1968. His early career in community pharmacy practice culminated in multi-store supervision. Today, he is active in many professional and community organizations.

Bob is married and has two children, one a pharmacy student and one in nursing school.

I'm sure Bob will provide valuable direction to keep our editorial content on target for community pharmacy practitioners. Thank you, Bob, for accepting this assignment.

Dianne M Tharp

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Pharm.D.'s impact on industry

The new Pharm.D. moves toward a national standard—at a starting price of around $30 million per graduating year. In parallel developments on the pharmacy education front, specialty certification expands and more states mandate key topics for Continuing Education. **Page 23.**

PDMA and drug distribution

The Prescription Drug Marketing Act threatens to halt wholesale drug distribution next month, due to an acute case of states' regulatory gridlock. Unless Congress acts fast to create an escape valve to the PDMA, pharmacists in dozens of states may not be able to order drugs through their wholesalers starting mid-September. **Page 57.**

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Cough and cold — nothing to sneeze at!

A bleary-eyed and coughing customer paces near the pharmacy looking at the array of products available to treat cold symptoms. Faced with a host of sizes, strengths and formulations from which to choose, it's no wonder consumers frequently seek the advice of a pharmacist before purchasing a product.

"What should I take for my cold?" is a question pharmacists hear repeatedly and one they are likely to hear in the future even more often.

"I get asked about cough and cold medications all the time," said Tim Williamson, an Eckerd pharmacist in Tampa, Florida. "Our main goal is to ask the appropriate questions because we have to determine exactly what the problem is before we know which products to recommend. Depending on the patient's condition, there are a lot different products to choose from."

Pharmacists play a vital role as the category becomes more confusing to consumers.

Inquiries about various OTC medications are common, but as pharmacists know, it's cough and cold that generates the lion's share. Product line extensions, Rx-to-OTC switches, new formulations and name changes combine to make the category more and more perplexing to consumers. With those trends expected to continue and the move toward self-medication strengthening, pharmacist recommendations on cough and cold medications will certainly be sought with greater frequency.

Confusing to consumers

According to Rob Fritz, director of customer development with Burroughs Wellcome, cough and cold medications were recently cited in a national survey as being almost as confusing to consumers as buying a computer or insurance. "Confusion among consumers is increasingly becoming the case as more products and line extensions appear on shelves," Fritz said. "I don't see any let up ahead as far as manufacturers continuing to leverage their successful brands into additional SKUs."

Other manufacturers agree. Vince Termini, director of product marketing for Sandoz Consumer Products, said there is more knowledge among consumers regarding medications, but it is also more difficult to choose a product than in years past. "There are a lot more products and different types of them available now," Termini said. "Cough and cold is really an expanded category because people suffer from those conditions all year long. The pharmacist has to know the difference between the types of conditions and products that treat those conditions."

Typically, a pharmacist will make an average of 15 OTC recommendation daily, according to a survey conducted by P.M. Healthcare Communications. Nearly 90 percent of the time the recommendation is followed. That's a lot of clout, and trends indicate the pharmacist's importance in counseling will only increase as self-medication trends continue.

The common cold topped the list of most frequently reported ailments in the Nonprescription Drug Manufacturers Association's recent self-medication study. Of those surveyed who reported a problem in the past two weeks, 32 percent said they suffered from a cold, followed by muscle aches/pain. Colds ranked behind headaches, athlete's foot and lip problems as a condition survey respondents would likely treat with an OTC medication. ■

Cough/cold sales growth at drug outpaces food

	1991		1992	
	Drug	Food	Drug	Food
Cough/cold	347,093,569	387,250,841	357,918,300	388,086,844
Allergy	65,288,438	51,443,112	68,215,839	53,745,105
Sinus	44,077,126	57,228,197	44,161,482	55,722,607

Source: Towne-Oller and Associates, Inc. (Note: sales at retail)

Attacks on cough/cold category continue

As if the cough and cold category isn't already confusing enough for consumers, throw in congressmen, the FDA and an upcoming General Accounting Office study to further mystify things.

For example, the FDA recently proposed new drug interaction precaution labeling for over-the-counter antitussive drug products containing dextromethorphan or dextromethorphan hydrobromide.

"These drug products should not be used by individuals who are taking a prescription drug containing a monoamine oxidase inhibitor, without first consulting their doctor," reads the proposed labeling. Consumers may read OTC labels, but will they know if they're taking a monoamine oxidase inhibitor?

"The FDA is aware that monoamine oxidase inhibitor and MAOI are highly technical terms that the average consumer may not recognize or understand," according to the proposal published in the Federal Register. "On the other hand, the agency believes that use of these terms in the precaution statement is justified because the more general term depression may not alert everyone who is taking an MAOI drug."

This certainly underscores the value of the pharmacist in clarifying terms like these that appear in OTC labeling.

Elsewhere in the category, hearings this spring on the effectiveness of antihistamines, by Ted Weiss, (D-NY), chairman of the House Human Resources and Intergovernmental Relations Subcommittee, has NDMA up in arms.

In response, the OTC group has submitted to FDA three volumes of data relating to the effectiveness of antihistamines in relieving symptoms of the common cold.

Before Weiss' committee, NDMA cited clinical studies involving about 14,000 cold episodes and eight different products to demonstrate effectiveness. Other materials provided to FDA rely on 24 published and unpublished studies that further support the antihistamine argument.

"There are no reasonably well designed clinical studies in adults for OTC antihistamines that do not show at least a positive trend toward relief of target symptoms," NDMA asserts.

Attacks on cough and cold remedies are likely to continue when a GAO report is released on the category. Weiss has requested the watchdog agency examine the FDA's review of cold medications, much in the same way it looked at the FDA's overall OTC procedures and issued a critical report.

These findings were off-base, in NDMA's opinion.

No word on when the GAO will release its cough and cold findings.

The newspaper of chain drug retailing

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Industry mulls deep discounting's future

Phar-Mor scandal tops list of troubles plaguing off-pricers

By James Frederick

Is deep discounting for real?

The Phar-Mor juggernaut has derailed. Drug Emporium is awash in red ink. Of the Big Three of deep discount drug retailing, only the smallest, F&M, is currently making money. Another off-pricer, Dot Drug Stores, went out of business early this year, less than two years after Wal-Mart concluded the concept wasn't worth its time and sold Dot to a small group of owner-operators.

In the wake of massive allegations of fraud, a $350 million write-down and a bankruptcy filing, the very survival of Phar-Mor remains an open question. One thing the scandal involving former officers Michael Monus, Patrick Finn and others immediately revealed: the chain didn't actually turn a profit last year or the year before that. Indeed, the smoke and mirrors allegedly employed by its bookkeepers obscured a fact many of Phar-Mor's competitors have long suspected: the chain may never have made any money.

NEWS ANALYSIS

Phar-Mor's lack of profitability stems from several factors, including what spokesperson Carol Robinson said was a lack of accurate information. "The company could have been profitable all along," she argued, "if management had had the right tools with which to make decisions."

But instead of cultivating profits over the last decade, the chain has specialized in blitzkreig growth tactics, tough negotiating with vendors and huge stores whose ever-increasing size demanded huge quantities of product and prices that were often so low that they guaranteed the company would lose money in many categories. If nothing else, the chain's problems demonstrate the difficulty of turning a profit on the below-20-percent margins that are deep discounting's strongest suit.

Robinson says the chain's basic concept remains extremely viable, and from a customer's point of view, that's absolutely true. Even taking into account the newest units, Phar-Mor stores average roughly $10 million in annual sales. More than four-and-a-half million

See **Deep discounting** *page 57*

Phar-Mor uses bankruptcy to shore up support

YOUNGSTOWN, Ohio — Working feverishly to stem revolt among its suppliers and financial backers, Phar-Mor fled into bankruptcy protection in mid-August and managed to unfreeze some $50 million in interim financing from its lending banks to continue paying for inventory.

The money, combined with about $60 million a week in revenue from its 305 deep-discount stores, will be enough to get the chain through the crucial back-to-school season, according to vp of advertising Carol Robinson. But Phar-Mor is still faced with two immediate and formidable tasks: to line up so-called debtor-in-possession financing that will carry it through Christmas and beyond; and to work out new payment terms with its vendors.

"We're working now with our banks to secure D.I.P. financing which will enable us to meet our seasonal merchandising needs," Robinson said. That need aside, she added, "We have no problem operating and meeting expenses."

Ceo David Shapira and oth-

See **Phar-Mor** *page 57*

Carl Bellini returns to key post at Revco

TWINSBURG, Ohio — Chain drug veteran Carl Bellini has returned to Revco after a three-year absence to assume the key role of executive vp of marketing and stores.

Bellini

Bellini, 58, succeeds D. Dwayne Hoven, who was named Revco president in July after the chain emerged from bankruptcy and removed former ceo Boake Sells. Bellini's appointment fills a management void initially created by the departure late last year of executive vp of marketing Jim Adamson. Since that time, Hoven did double-duty at Revco until his recent promotion to the top management post.

As executive vp, Bellini will head up marketing, store operations, real estate and managed care, and will sit on Revco's executive committee. As such, he'll report directly to Hoven and oversee the activities of top managers including senior vp of marketing Jim Mastrian and senior vp of store opera-

See **Bellini** *page 57*

Rockbottom's "Inflation Busters" section, on a wall that runs the length of the new Glen Oaks store, strongly reinforces discount image with special values even lower than the chain's everyday low prices.

Rockbottom gears up for strategic expansion

By Bruce Buckley

PORT WASHINGTON, N.Y. — Rockbottom Stores, the leading low-price drug/HBA operator in the New York metro market, is gearing up for a controlled expansion that could increase its store count by 60 percent over the next three to five years.

With 32 stores already pumping out over $250 million in sales, the deep discount chain has set its strategic sights on at least 50 locations and more than $400 million in sales by 1997.

Rockbottom will concentrate on filling in its market position in the densely populated areas of Long Island, Westchester and Rockland Counties, northern New Jersey and southern Connecticut and New York City's boroughs—all within quick turnaround distance from its 180,000-square-foot distribution center in Brentwood, Long Island.

To handle the growth, Rockbottom chairman Richard Otto and newly-named president Jonathan Otto have strengthened a veteran management team with several key appointments.

They include Terry Files, a former Wal-Mart and Dot

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NEWS IN BRIEF

O'Leary resigns from Fay's

LIVERPOOL, N.Y. — Daniel O'Leary has resigned as president and chief operating officer of Fay's Incorporated. He also resigned from the company's board of directors. No reason was given for his resignation.

Henry Panasci, Jr., Fay's chairman of the board, will assume O'Leary's duties. "The presidents of each of our operating divisions, Fay's Drug Stores, Wheels and Paper Cutter, will now report directly to Henry," said Warren Wolfson, Fay's senior vp and general counsel. "In the forseeable future, we have no immediate plans to replace Mr. O'Leary."

FoxMeyer inks major pact with Snyder's

DALLAS — FoxMeyer Corp. has signed a seven-year agreement to supply pharmaceuticals, OTC drugs, HBA and general merchandise to Snyder's Drug Stores. Under terms of the deal, which is expected to generate roughly $1.4 billion in long-term revenues, the nation's third-largest drug wholesaler will also purchase and operate Snyder's warehouse and distribution system.

Snyder's operates or services 258 stores in Illinois, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin, and is the market share drug store leader in its home market of Minneapolis/St. Paul. The contract does not include the transfer of any of Snyder's retail assets to FoxMeyer.

NACDS appoints 2, promotes 2

ALEXANDRIA, Va. — NACDS has expanded its state government affairs department and has appointed two new managers, Benjamin Davol and Eileen Finnegan, to the department. Kathy Gavett will assume new responsibilities as manager of government affairs communications. All will report to Kathryn Lavriha, NACDS vp for government affairs.

NACDS also named Christine De Bow Klein manager of library services for the association.

New SHOPA ceo post created

DAYTON, Ohio — Byron Rex Miller has been named ceo at SHOPA. The newly established position was instituted by SHOPA's board of directors due to the dramatic growth of the organization's activities. Miller had previously served as SHOPA's volunteer president since the organization was founded in February 1991.

Prior to accepting the full-time position at SHOPA, Miller was director of merchandising for Mead School and Office Products Division.

Wojcik: McK senior vp slot

Wojcik

SAN FRANCISCO — McKesson Drug Co. has named Richard F. Wojcik to the new position of senior vp, sales and customer service.

Wojcik, a pharmacist, was formerly vp of sales for the pharmaceutical division of Eli Lilly and Co., a position he has held since 1979. He joined Eli Lilly as a sales representative in 1960.

Wojcik will be responsible for all of McKesson Drug Co.'s sales efforts, including the company's hospital and managed care, home health care, pharmacy design services, telemarketing and the medical supply business. He will also be responsible for sales efforts in support of the company's independent and chain store accounts, including its 3,800 Valu-Rites.

PayLess names two new vps

Wilsonville, Ore. — PayLess Drug Stores has named Roger Parisotto as regional vp for the chain's new Hawaii region, which includes 15 recently acquired Pay 'n Save stores. Parisotto will be based in Honolulu and will assume responsibility for all operational aspects of the Hawaii stores.

In another appointment, Karen Sheridan was promoted to vp of corporate communication.

Conaway to new position at CVS

WOONSOCKET, R.I. — Chuck Conaway has joined CVS in the newly created position of sr. vp of pharmacy services.

The new position was created in response to increased demands as pharmacy continues to become a larger share of CVS' business, a CVS spokesperson said.

Conaway, previously executive vp and chief operating officer at Indianapolis-based Reliable Drug Stores, Inc., will be responsible for internal pharmacy operations, third-party management and pharmacy merchandising.

Eckerd: a tougher competitor emerges from restructure

NEWS ANALYSIS

By Mike Troy

CLEARWATER, Fla. — The restructuring of the Jack Eckerd Corp. and elimination of 600 jobs is expected to make the retailer a stronger competitor and a more attractive investment in light of a planned return to public ownership.

According to current and former employees, the restructuring was a needed step because a managerial bureaucracy had emerged and it was hindering the decision-making process. Eckerd's bottom line will not only be improved by staff cuts, these sources say, but in the long run, will also be helped by simplified decision-making and an increased emphasis on pharmacy.

Some feathers ruffled

"In the retail environment companies are always looking at how they can be more efficient and productive," said a former exec. "Most of us don't respond real well to change, so there was some initial ruffling of feathers that took place, but after a while it will reach a norm and then the company will go forward from there."

Another former exec added, "All businesses are going through some pretty tough times and looking to the future. Eckerd would have had some pretty tough times had we not gone through this exercise. The restructuring also positions the company much better in terms of our financial statements."

Not that its financial statements are bad. Although the retailer has slightly more than $1 billion in debt outstanding from its 1986 leveraged buyout, sales continue to increase steadily and cash flow has remained strong. Company officials have not disclosed how much money the restructuring will save, but estimates range from $15 million to $30 million annually.

"Eckerd is just trying to strengthen its already strong position rather than survive a weak position," said Walter Mardis, the Mercer Management Consulting project manager who spearheaded the Eckerd project. "It was one of the more satisfying experiences that we have had with a client because they knew what they wanted to accomplish, and I think the changes that have been made will take them into the future very well."

Beginning in April, the consultants began an extensive data collection process looking at activities performed, the time and costs involved, where tasks were being performed and how much money was being spent on them. The consultants then worked with study teams comprising Eckerd executives who made the decisions about where changes needed to be made.

"The whole process was managed pretty well, we were quite open, everybody knew what we were doing and why we were doing it," said a former executive.

Even a district manager who got bumped down to a store level manager position was not overly disturbed by the reshuffling.

"Some people are probably upset, but if they are bitter it is probably best they are gone anyway," the manager said.

While some positions within the company were eliminated, others were created. For example, in recognition of the increasing importance of pharmacy, a new layer of pharmacy managers was added. Pharmacy is a large part of Eckerd's business, accounting for $1.6 billion of the chain's nearly $3.8 billion in sales last year. In the past, pharmacists and store managers both reported to a district manager who was responsible for about 20 stores. Only about 25 percent of the district managers under the old system were pharmacists. Under the restructuring, all the district pharmacy managers will be pharmacists and have responsibility for about 30 stores.

Although Eckerd, with nearly 1700 stores, has a considerable presence in the Southeast, the chain is under constant pressure from competitors. In the rapidly growing Florida market, where Eckerd has almost a third of its stores, a host of other competitors are steadily increasing their presence. Supermarkets, discount stores and deep discount drug stores all contend for a slice of the pharmacy pie and Walgreens is in the midst of an aggressive expansion campaign that soon will give the chain more than 300 Florida stores.

A leaner management and an increased emphasis on pharmacy will certainly help the chain in its efforts to remain competitive in all its markets.

Outsiders' view

The changes at Eckerd are significant from not only an internal point of view, but also for outsiders who may now view the company as a proactive organization that took the initiative to trim fat. That may be a key consideration as the organization continues to look for a window to enter the stock market and return to public ownership.

Eckerd entertained the idea of going public this past summer, but a soft IPO market deterred them from going forward.

With the uncertainty of a presidential election in early November and the holiday season shortly thereafter the offering will certainly be delayed until after the first of the year.

"We are not counting on [the initial public offering] anytime soon and we are not under any particular pressure to do it, so we are not going into a soft market and sell our stock for less than it is worth," said Stewart Turley, Eckerd's ceo, shortly after the restructuring was announced.

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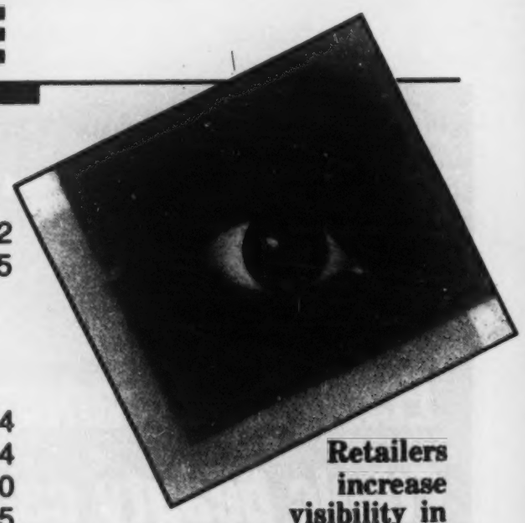

Retailers increase visibility in pivotal ethnic category. ***Page 7.***

Hair glaze/lotion sales pump up the volume in category

As chain drug store hair care buyers get ready to update their planograms for the hair styling category, they should pay particular attention to the emerging hair glaze/lotions category.

According to Towne-Oller & Associates, glazes and lotions have replaced styling gels and spritzes as the fastest growing segment of styling aids.

Although their base of sales is still relatively low—just $12.8 million for the 12-month period ending June, 1992—their growth has been dramatic: up 317 percent for those 12 months.

All other segments of styling aids appear to have reached maturity and peaked.

Gels were up just 4 percent to $59 million for the 12 months ending last June, while mousse was only up 3 percent to $44 million. Spritzes declined 7 percent to $64.7 million, while styling sprays were down 2 percent to $15 million.

New products

The growth in glazes is very much attributable to new product introductions. All six items at the top of the dollar chart have been in distribution for 13 months or less. Eleven of the top 25 have been in distribution for 12 months or less.

In comparison to the new activity in the glaze category, all other styling categories look downright sedate. There hasn't been that much new activity to pump sales in these categories.

For example, the Towne-Oller rankings indicate that there was only one product with 12 months or less distribution in the mousse category: L'Oréal's 6-ounce Studio Springing Curls.

That one new item, moreover, has been very important to the mousse category. Not only did Springing Curls crack the exclusive top five list in dollars, but it also went all the way to No. 1; it has been a significant contributor to that category's growth.

Gel category

In the gel category, there are only five products with less than a year's activity among the top 25 dollar producers, but just one of these—L'Oréal Studio 6-ounce Anti-Frizz Tamer Gel Pump—is in the Top Five New Item Ranking.

There are five new items in the styling spray category, but only one of these is in the top five: Aussie Sprunch Spray Aerosol 14 oz., and there are no new items in the Top 25 dollar ranking in the spritz category.

Unless a new item is very innovative, it becomes more difficult, as categories mature, for the newer entries to generate dramatic incremental growth. Generally, when new items succeed in maturing categories, it's at the expense of existing items.

But that cannibalization trend is not yet evident in glazes. The overnight success of John Frieda's Frizz-Ease quickly saturated the market with a lot of competitors.

Not only does Frizz-Ease continue to dominate the category, but also many of its competitors have also done well.

Del Labs' Nuitritonic Frizz Tamer is number 2 in the Towne-Oller rankings. Forget The Frizz from BSP Labs is number 11 and Cabot's Frixx-Fix, number 12.

See related charts, pgs. 49 & 52.

BEAUTY BEAT
LIZ PARKS

Five new styling gels impact the styling gel category

Rank in top 25	Item	Months of distribution
4.	L'Oréal Studio Anti-Frizz Tamer Gel Pump 6 oz.*	12
6.	DEP Styling Gel Extra Super Hold*	9
10.	DEP Stying Gel Mega Hold 12 oz.*	9
13.	L'Oréal Studio Total Hold Clean Gel 5.2 oz.*	12
20.	DEP Styling Gel Balsam Super Hold 12 oz.*	9

Ranked by national drug store dollar volume for the 12-month period ending June 1992
*Items with 12 months or less distribution in food or drug stores.
Source: Towne-Oller & Associates, a subsidiary of IRI.

Hair glaze category explodes

	Dollar sales (millions)	% hair styling category sales	% change vs. a year ago
Hair glazes/ lotions	$12.8	6.5%	317%

Source: Towne-Oller & Associates, a subsidiary of IRI.

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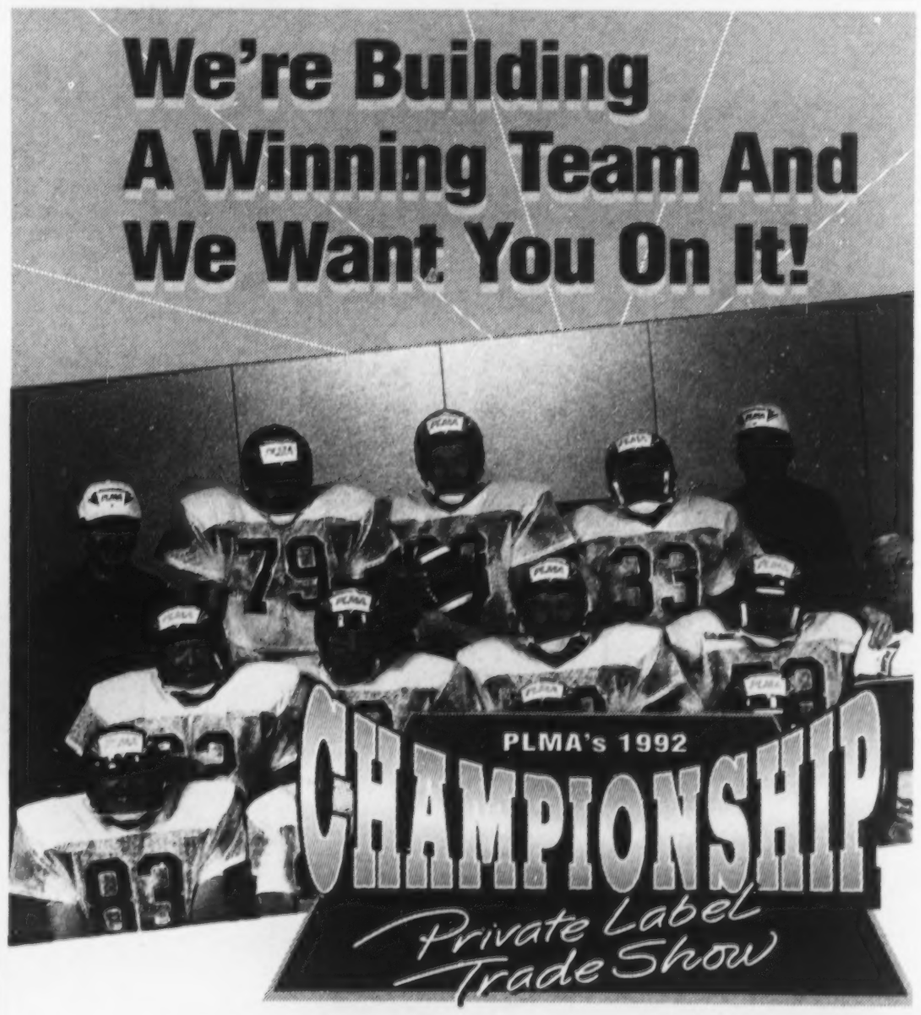

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Longs posts increase in second quarter sales

WALNUT CREEK, Calif. — Longs Drug Stores reported results for its second quarter ended July 30, showing a 6 percent sales increase along with a 5 percent decrease in net income, although the latter was impacted by the cost of technological upgrading.

Unaudited sales for the quarter were $613.4 million compared to $576.9 million for the same period last year. Year-to-date sales increased 6 percent to $1.22 billion from $1.15 billion for the comparable period last year.

For the quarter, unaudited net income was $13.5 million compared to $14.2 million. Expenses were up by approximately $2 million as a result of the chain's continuing POS scanning project. "Without this additional cost net income would have increased over last year's second quarter by four percent," noted William Combs, vp of administration and corporate relations. Combs noted that 130 of the chain's 268 stores are scanning and over 170 locations will be on the system by the end of 1992. During the second quarter, one new store was opened, one closed and six sites are currently under construction.

Sharp rise for Big B

BESSEMER, Ala. — Big B reported sharply higher net earnings of $1.4 million for the second quarter ended Aug. 1, up 45 percent from the same period last year. For the half, net income was up 41 percent to $4.1 million on sales that rose only slightly to $246.0 million. Combo powerhouse Albertson's also reported healthy second-quarter profits, up 12 percent to $66.0 million.

MSI has 3rd qtr. increase

ST. LOUIS, Mo. — Medicine Shoppe International, Inc., the franchise apothecary chain, reported corporate earnings for the third quarter ended June 30 increased 15 percent to $4.27 million compared with $3.72 million in the same period of the previous year. Operating earnings for the nine-month period increased 16 percent to $12.12 million compared to $10.47 million for last year's nine months. Corporate revenues increased 8 percent to $10.18 million for the quarter, up from $9.44 million in 1991's third quarter.

Smith's notches strong earnings gain

SALT LAKE CITY — Extending its successful financial results, Smith's Food & Drug Centers recorded strong gains in sales and earnings for the period ended July 4.

Net income was up 25 percent to $13.5 million for the quarter and 26 percent to $26.7 million for the first six months. Sales grew 17 percent for the quarter, to $640 million; first-half sales were up 21 percent to $1.08 billion.

Most of the sales increase, however, came through Smith's strong new-store expansion in California and elsewhere. Same-store sales were "relatively flat," the company reported, due to "modest deflation, consumer trading-down and the weak economy in general."

At the end of the second quarter, Smith's operated 111 stores, including 13 in Southern California. Another 10 units are slated for opening this year.

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MARKET DIARY:

Largest Dollar Gainer	Barr Laboratories	$ 3.38	Advances	13
Largest Dollar Loser	Penney, JC	$ – 6.25	Declines	44
Largest Percentage Gainer	Barr Laboratories	46.55%	Unchanged	5
Largest Percentage Loser	Bolar Pharmaceutical	– 25.25%	New highs	4
			New lows	5

	Close 8/4/92	Close 8/25/92	Net Change	Percent Change
Drug Store News Index	4746.49	4596.24	– 150.24	– 3.17
Dow Jones Industrial Average	3384.32	3232.22	– 152.10	– 4.49
Standard & Poor's 500-Stock Index	424.36	411.61	– 12.75	– 3.00
N.Y.S.E. Composite	233.39	226.47	– 6.92	– 2.96
Value Line Index	253.36	243.12	– 10.24	– 4.04

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/4/92	Closing Price 8/25/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.25	5.38	0.13	2.38	15	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	20.25	20.25	0.00	0.00	21	0.12	0.59	25.25	17.50
OTC	Big B	BIGB	13.75	13.63	– 0.13	– 0.91	14	0.20	1.47	16.25	10.63
OTC	Drug Emporium	DEMP	4.13	4.38	0.25	6.06	—	0.08	1.83	9.25	3.63
NYS	Fay's Inc.	FAY	8.00	7.63	– 0.38	– 4.69	18	0.20	2.62	11.50	6.59
ASE	Genovese Drug	GDX.A	8.63	7.88	– 0.75	– 8.70	8	0.24	3.05	14.75	7.50
NYS	Longs Drug Stores	LDG	38.13	36.63	– 1.50	– 3.93	14	1.12	3.06	40.00	33.13
OTC	Medicine Shoppe	MSII	24.75	23.75	– 1.00	– 4.04	17	0.36	1.52	30.75	20.75
NYS	Perry Drug	PDS	8.63	8.13	– 0.50	– 5.80	11	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	21.63	21.75	0.13	0.58	15	0.52	2.39	23.75	17.25
NYS	Walgreen Co.	WAG	35.88	39.00	3.13	8.71	22	0.52	1.33	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.38	18.75	– 0.63	– 3.23	14	0.40	2.13	23.91	16.00
OTC	Bindley Western Ind.	BIND	18.38	16.38	– 2.00	– 10.88	10	0.04	0.24	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.25	27.50	– 2.75	– 9.09	20	0.08	0.29	38.75	22.50
OTC	Durr-Fillauer (H)	DUFM	31.13	33.25	2.13	6.83	24	0.28	0.84	33.50	17.50
NYS	FoxMeyer Corp. (L)	FOX	12.88	12.38	– 0.50	– 3.88	13	0.28	2.26	16.63	10.38
NYS	McKesson Corp.	MCK	37.00	36.38	– 0.63	– 1.69	41	1.60	4.40	40.13	30.25
ASE	Moore Medical (H)	MMD	7.75	8.00	0.25	3.23	17	0.00	0.00	8.50	3.00
NYS	Owens & Minor	OMI	19.00	17.75	– 1.25	– 6.58	17	0.24	1.35	24.25	16.00
Manufacturer's transactions											
NYS	Abbott Labs	ABT	30.63	30.25	– 0.38	– 1.22	22	0.60	1.98	34.88	26.13
NYS	American Home Products	AHP	76.63	73.50	– 3.13	– 4.08	16	2.60	3.54	86.25	62.50
ASE	Barr Laboratories	BRL	7.25	10.63	3.38	46.55	27	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	38.25	37.13	– 1.13	– 2.94	17	0.84	2.26	40.88	32.63
OTC	Block Drugs Co.	BLOCA	46.25	46.50	0.25	0.54	14	0.88	1.89	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	12.38	9.25	– 3.13	– 25.25	—	0.00	0.00	14.50	5.25
NYS	Bristol-Myers Squibb	BMY	70.25	67.25	– 3.00	– 4.27	17	2.76	4.10	90.13	62.00
NYS	Carter-Wallace	CAR	29.25	25.13	– 4.13	– 14.10	25	0.32	1.27	45.84	22.88
ASE	Columbia Labs	COB	5.50	5.13	– 0.38	– 6.82	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.88	19.50	– 0.38	– 1.89	14	0.28	1.44	24.38	16.88
ASE	Forest Labs	FRX	38.13	38.25	0.13	0.33	32	0.00	0.00	42.88	28.63
ASE	Halsey Drug	HDG	6.75	6.75	0.00	0.00	23	0.00	0.00	9.75	4.69
NYS	ICN Pharmaceutical	ICN	11.13	9.13	– 2.00	– 17.98	21	0.00	0.00	25.38	5.25
NYS	Johnson & Johnson	JNJ	49.75	49.13	– 0.63	– 1.26	21	0.92	1.87	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co.	LLY	71.88	67.00	– 4.88	– 6.78	14	2.20	3.28	87.75	63.63
NYS	Marion Merrell Dow	MKC	29.50	27.63	– 1.88	– 6.36	12	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	53.13	51.00	– 2.13	– 4.00	26	1.00	1.96	56.59	41.47
NYS	Mylan Labs (s) (H)	MYL	24.25	24.13	– 0.13	– 0.52	42	0.08	0.33	25.13	13.19
NYS	Novo-Nordisk	NVO	91.25	93.63	2.38	2.60	17	0.60	0.64	96.00	71.25
OTC	Nutramax Products	NMPC	8.13	8.13	0.00	0.00	20	0.00	0.00	12.50	5.63
NYS	Pfizer Inc.	PFE	80.75	80.50	– 0.25	– 0.31	35	1.48	1.84	87.00	62.50
NYS	Pharmaceutical Resources	PRX	6.00	6.13	0.13	2.08	—	0.00	0.00	8.00	3.00
NYS	Rhone-Poulenc Rorer	RPR	54.75	50.75	– 4.00	– 7.31	19	0.72	1.42	69.38	45.38
NYS	Schering Plough	SGP	60.63	60.38	– 0.25	– 0.41	18	1.56	2.58	68.00	49.88
NYS	Syntex Corp. (L)	SYN	34.13	28.25	– 5.88	– 17.22	14	1.04	3.68	56.00	28.25
OTC	Taro-Vit Industries	TAROF	9.00	8.25	– 0.75	– 8.33	69	0.00	0.00	12.75	3.50
OTC	Teva Pharmaceutical Ind.	TEVIY	24.75	25.38	0.63	2.53	25	0.20	0.79	28.38	15.00
NYS	Upjohn Co.	UPJ	35.00	33.75	– 1.25	– 3.57	11	1.36	4.03	47.88	31.00
NYS	Warner-Lambert	WLA	67.63	66.75	– 0.88	– 1.29	48	2.04	3.06	79.25	58.38
OTC	Zenith Labs (L)	ZENL	14.50	12.50	– 2.00	– 13.79	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	42.38	40.00	– 2.38	– 5.60	23	0.64	1.60	44.88	32.75
NYS	American Stores	ASC	37.38	35.75	– 1.63	– 4.35	11	0.68	1.90	41.25	26.00
NYS	Giant Food	GFS.A	20.25	20.25	0.00	0.00	15	0.68	3.36	26.25	19.38
NYS	Great Atlantic&Pacific Tea	GAP	27.13	26.63	– 0.50	– 1.84	—	0.80	3.00	42.75	25.00
NYS	Kmart	KM	24.75	23.25	– 1.50	– 6.06	12	0.92	3.96	27.50	19.06
NYS	Kroger (L)	KR	14.50	12.00	– 2.50	– 17.24	13	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	49.50	47.38	– 2.13	– 4.29	15	1.48	3.12	52.00	38.25
OTC	Fred Meyer	MEYR	26.00	25.25	– 0.75	– 2.88	13	0.00	0.00	29.25	19.75
NYS	Penney, JC (H)	JCP	73.13	66.88	– 6.25	– 8.55	23	2.64	3.95	73.50	47.25
NYS	Safeway (L)	SWY	13.25	11.38	– 1.88	– 14.15	21	0.00	0.00	20.25	11.38
NYS	Smith's Food & Drug	SFD	30.63	29.63	– 1.00	– 3.27	17	0.44	1.49	43.25	25.75
NYS	Wal-Mart	WMT	55.88	57.38	1.50	2.68	37	0.20	0.35	59.88	45.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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SECOND CLASS

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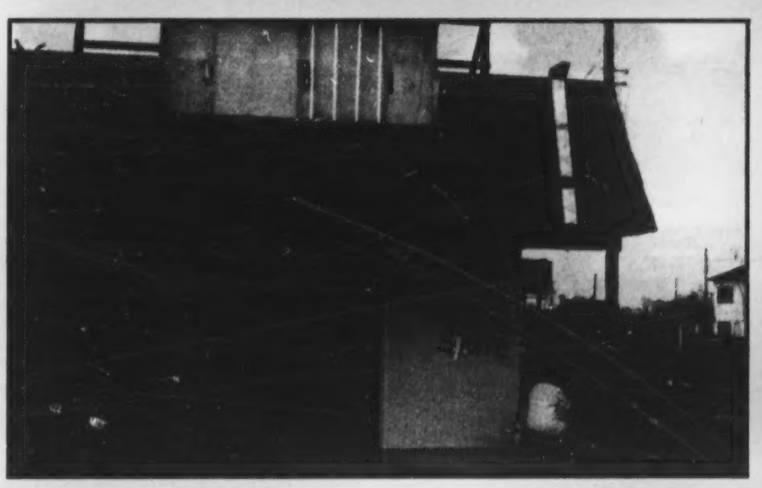
Confronting & surviving disaster



Vida, part of the Gulf Distribution network, was one of many Florida businesses that suffered severe damage during Hurricane Andrew. Despite incredible obstacles chains like Rite Aid (operating out of a trailer) and Medicine Shoppe did their best to make it "business as usual."

By Allene Symons

When disaster strikes repeatedly as it has this year—hurricanes and floods, earthquakes and civil unrest—it's a vivid reminder to drug chains, their suppliers and their customers that it can happen anywhere, anytime.

Drug Store News talked with Eckerd, K&B and other chains and distributors whose stores or accounts were affected by Hurricane Iniki in Hawaii and Hurricane Andrew in Florida. PayLess, McKesson, Longs, Bergen and others who were impacted by rioting and other disasters in the past were interviewed as well. Here are some of their most effective emergency procedures:

• **Exterior security.** In hurricane country, all new and remodeled Eckerd stores have built-in window and door channels for custom-fitted plywood covers (these are kept in the stores at all times), reports spokesperson Gene Ormond. A big advantage is not having to compete for plywood or pay scalper prices when everyone else is scrambling to cover up. (In the L.A. riots last spring, plywood was in short supply). K&B has roll-down hurricane shutters at some of its stores in the Gulf area, explains Irby Bourque, manager-pharmacy operations.

• **Providing power.** Portable generators are one of the most essential emergency items for a business. "There was great demand for generators in South Florida," says Ormond, "and there were certain areas where we couldn't

Continued on page 6

Damage reports on Kauai Longs, PayLess sketchy

Post-disaster communications difficulties are pointed up by the sketchy damage reports available to Longs and PayLess following Hawaii's worst hurricane in decades.

By presstime, Longs and PayLess were unable to inspect their damaged stores on the Hawaiian island of Kauai, since inbound flights were restricted.

Through telephone reports, Longs learned that at least one of its stores on Kauai had suffered roof damage. "It may be a while before we know how severe the damage is," says William Combs, vp of administration, Longs Drug.

One of the Hawaiian Pay 'n Save stores recently acquired from Thrifty Corp. also lost a roof. PayLess' Karen Sheridan, vp of corporate communications, notes "we don't know how long it will be until it is operational."

Until its takeover of Pay 'n Save this past July, PayLess didn't have stores in Hawaii. Opening a new market can mean new kinds of natural disasters—and responsibility for new employees. Sheridan noted that many Pay 'n Save employees lost their homes and that a company-wide donation effort is planned.

Bergen, Durr Fillauer merger moves ahead

Bergen Brunswig has reached a definitive but still fragile merger agreement with Durr-Fillauer. Cardinal's short-lived pact is dead. If the Bergen deal is consummated, what are the implications for the drug industry?

ORANGE, Calif. — Bergen Brunswig Corp. has emerged as victor apparent in the bidding war over Durr-Fillauer Medical, the Montgomery, Ala.-based distributor.

The live deal now surfaced just after Labor Day. At $33 per share, equity value exceeds $406 million; including debt assumption, the deal is worth $470 million. This topped the $30.50 offer from Cardinal Distribution, Dub-

See **Bergen** *page 69*

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Buyers eye Christmas values 17

Deodorant sales get a boost 55

Attendees focused on Exclusively HBA

By Barbara White

DENVER — Buyers at presstime were preparing to scout out hot opportunities at the Exclusively HBA show here Sept. 23-24—everything from items originally destined for Phar-Mor to hundreds of new products and merchandising display vehicles.

The latest tally pegged expected show attendance at 3,000—including 700 buyers, about one-quarter of whom are from the chain drug or wholesale sectors. Drug chain executives saw plenty of new HBA offerings at the NACDS Marketplace show in June, but many are willing to trek to Denver to help them manage HBA more closely.

"This show lets buyers be totally immersed in HBA. There are no outings or seminars to distract them so they can really get the quality time they need to spend with vendors," said Jay Spaulding, Exclusively HBA's ceo.

This show is certainly positioned to provide a broad and deep focus on HBA as a category; over 50 ethnic manufacturers and 100 private label suppliers will be at the show.

"Primarily, we use the NACDS show to see new HBA items," said Joe Dickerson, vp/divisional merchandise manager of New York-based Rx Place. "But because we've picked up our expansion and want to work with vendors more closely, we'll attend the show." Dickerson said he may use the opportunity to purchase some merchandise originally slated for Phar-Mor shelves.

Harold Pinker, president of Dallas-based Texas Drug Warehouse, plans to send two buyers to the show. "We always want to see new HBA items since the category is at the core of our business. It makes sense to concentrate on an area that is so important to the store," he said.

"The show is a good source of information for our planogram changes for next year," said Jim Hobbs, senior merchandise manager for Knoxville, Tenn.-based Begley Drug. Although most of his December stock is already bought, Hobbs, like other buyers, said he planned to look for deals on new items so he

See **Attendees** *page 69*

NEWS IN BRIEF

Manos elected president of Giant Food

WASHINGTON, D.C.—Pete Manos is replacing Israel Cohen as president of Giant Food. Cohen will continue in his role as chairman of the board and ceo. Cohen said that while he will continue to lead the company "vigorously into the future," Manos, who has been with the company for 32 years, is positioned to become his successor.

Arbor, Perry: rivals match store growth

TROY, Mich. — Arbor Drugs and Perry Drug Stores are trading salvos on the expansion front as summer nears its end, despite a weak economy.

In late August, Arbor announced plans to open three new stores by the end of September, bringing its store count in Michigan to 128. The new units are located in Dearborn—the fifth Arbor store there—as well as the 15th store for the Downriver community in Taylor and the chain's 38th unit in Oakland County in Royal Oak, a Detroit suburb. All three units are 10,923 square feet.

"Our aggressive expansion program in the southeastern Michigan market, Arbor's primary trading area, continues on schedule," said Arbor chairman and ceo Eugene Applebaum.

Not to be outdone, Perry opened its 207th store Sept. 13 in the small city of Wyandotte, Mich., south of Detroit. The chain has also signed leases for new stores in West Bloomfield Township and in Flint, Mich., where the chain already has 26 units. Both stores are slated to open later this year.

IRI sets joint venture with Catalina

CHICAGO — Information Resources, Inc. and Catalina Marketing Corp. plan to form a joint venture firm that will marry IRI's "extensive analytic and software expertise" with Catalina's POS consumer promotion capabilities.

The new firm, to be called Catalina Information Resources, will merge Catalina's extensive in-store data network with IRI's information services capabilities to create "real-time" information applications to clients. Among them: timely monitoring of retail out-of-stocks, just-in-time product reordering and day-after sales performance tracking.

Hoven named to Revco board

TWINSBURG, Ohio — As expected, Revco D.S. has named newly elected president and chief operating officer D. Dwayne Hoven to its 11-member board of directors.

Hoven, 50, replaces former ceo Boake Sells as one of two inside managers on the board shortly after being named Revco's top officer. He joins Gregory Raven, executive vp and cfo, and nine outside directors who represent Revco's former creditors and new owners.

Hoven joined Revco in 1987 and served as executive vp of marketing and stores prior to his July promotion to president.

Cancer organization forms new council

NEW YORK, N.Y. — The Skin Cancer Foundation will honor its newly formed Chain Drug Store Council at its annual benefit dinner dance on November 19. Philip Beekman, chairman and ceo of Hook-SupeRx Drug Stores and general chairman for the benefit dinner, will introduce the council, comprised of prominent chain drug store executives selected for their commitment to preventative health care.

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F&M plans to net $30.1M from IPO to reduce debt

WARREN, Mich. — Buoyed by steadily increasing earnings and a resurgent stock market, F & M Distributors is ready for its first public offering of common stock.

The sale of 3.15 million shares of F & M common are expected to begin trading on the NASDAQ National Market System by the end of September, under the symbol "FMDD." The stock sale is being underwritten and marketed by Merrill Lynch & Co.

The shares—including 2.4 million new shares offered by the company and 750,000 shares put up for sale by current owners—are expected to sell for an opening price of roughly $14 a share. That will yield the deep-discount chain approximately $30.1 million after expenses. According to F & M's offering prospectus, "net proceeds will be used to reduce indebtedness under the company's revolving credit agreement." That will cut F & M's total long-term debt to roughly $123.6 million.

F & M registered with the SEC June 19 in preparation for its IPO but waited until market conditions were right before going ahead with the offering, according to Laura Kendall, senior vp of central operations and cfo. "The IPO market was disrupted earlier this year- . . .but has been refreshed over the summer," she said.

In meetings with investment analysts and in its offering prospectus, F & M has taken the wraps off an off-price retail operation whose full outlines have never before been disclosed. The prospectus tells a detailed story of a chain whose performance is a bright spot in the troubled off-price drug store industry—a chain which has been consistently profitable since the purchase of the original F & M store from deep-discount pioneers Fred and Margaret Cohen in 1975.

Over the past five years, the company reports, sales have grown at a compound rate of 30 percent a year, to $674 million, as store count has ballooned from 28 to 113 units. Net earnings have kept pace, rising from $9.3 million in fiscal 1989 to $13.9 million in fiscal 1992, despite losses of nearly $1 million due to the start-up of Parti-Giant, a new off-price party supply concept. Net earnings for the first half of fiscal '93 ended Aug. 1 were $5.4 million, compared with $4.4 million the previous year.

"The company's general experience is that stores usually experience operating losses for one to two years after opening and achieve mature operating profit levels five years after opening," the report notes.

"The company believes that future profitability will be favorably affected by the increasing percentage of stores with more than two years of operating history. . .and opening new stores in existing markets to advance the company's strategy of dominance and penetration. . ."

Indeed, one key to F & M's profitability has been its ability to cluster stores in a few major markets, relying on word-of-mouth advertising and its everyday low-price appeal to build sales without ad expenditures. The chain operates in five major markets, including four of the seven largest metro areas in the U.S. Another five units are slated for opening this year, with 18 more F & M stores scheduled for fiscal 1994; all will be "in existing or contiguous metropolitan markets," according to the offering report.

Market surveys conducted by Leo J. Shapiro and Associates show that consumers perceive the chain "to have the best combination of price and selection" in its markets, the prospectus notes.

F & M estimates its prices are 5 to 15 percent below mass merchants, 15 to 25 percent below supermarkets and 20 to 40 percent below traditional drug stores. The chain holds down prices by: using its 17-member buying staff to buy aggressively on a deal or contract basis direct from manufacturers; eschewing warehouses in favor of direct supplier shipments to stores; avoiding most forms of advertising, thus holding ad expenditures to 0.3 percent of sales last year; and holding a firm line on the breadth of its merchandise mix in stores that rarely go above 30,000 square feet in selling space.

Thus, HBA and cosmetics/fragrances account for fully 56 percent of revenues at F & M, with household supplies adding another 17 percent and drinks and snacks contributing another 15 percent.

Within those tight merchandise parameters, however, F & M aims for the best selection in its markets. It typically offers more than 200 linear feet of shampoo and hair care items, and its stores carry a total of 27,000 densely stocked SKUs. *—James Frederick*

F&M Distributors: the highlights

Company founded: **1955**
Headquarters: **Warren, Mich.**
Officers: **Frank Newman, president and ceo; Earl Weissert, executive vp; Laura Kendal, senior vp of central operations, cfo; Randolph Agley, chairman; Michael Timmis, vice chairman, general counsel; Matthew Keller, senior vp of merchandising.**
Major markets: **Chicago, Detroit, Washington, D.C./Baltimore; Minneapolis/St. Paul, Boston, Mass.**
Principal owners: **Randolph Agley, Judith Agley, Michael Timmis, Wayne Inman.**
Store count: **113**
Sales: **$674.0 million (fiscal 1992, ended Jan. 31, 1992).**
Net earnings: **$13.9 million.**

Walgreens and Perry plan to boost store security

PONTIAC, Mich. — Perry Drug Stores has become the latest drug chain to begin installing electronic article surveillance systems in its stores in a bid to cut shoplifting and shrink.

Perry's system, called UltraMax and marketed by Sensormatic Electronics, consists of an exit-door alarm system activated by sensitized, electronic security labels affixed to high-theft items in the stores. Perry will also install Sensormatic's SpeedStation bulk deactivators at checkstands.

Use of the system will also allow Perry to take advantage of so-called source labeling programs, by which security stickers are attached to products at the point of manufacture.

Announcement of Perry's plans follows disclosure in June of a security labeling test by Walgreens. The chain has signed with Checkpoint Systems to install the company's Electronic Article Merchandising (EAM) system in 200 Walgreen stores in a single distribution center region.

The test will include source tagging of merchandise at the warehouse level. "We have determined that the best method to implement an EAM program is from the distribution center level rather than on a store-by-store basis," noted Chet Young, Walgreen general auditor. "This will allow us to take immediate and full advantage of source tagging's benefits."

The system also includes deactivation equipment at checkstands, as well as sensors at store exits to detect the unauthorized removal of protected merchandise.

NIELSEN HIGHLIGHTS

Marketing focus: lipsticks

This category had all outlet sales of $219 million during the 52 weeks ending Mar. 16, 1991 (up 24 percent against 1990). Unit sales of 83.1 million were up 20 percent from last year. The average price reported by consumers was $2.64 per unit, an increase of 3 percent from 1990.

Household penetration grew by 1.4 points to 31.0 percent of the 94.7 million U.S. households. Each of the 29.4 million households purchasing the category this year spent an average of $7.47. They purchased at a rate of 2.2 times during the year, buying on average, 1.3 units on each occasion.

Consumers reported using coupons with 3 percent of their purchases (unchanged from last year) and that 16 percent of the units were bought on some type of retailer promotion (up 1 point).

Trade channels-share of all outlet unit sales

Trade channels	Percentage share of sales	Unit/buyer	Penetration
Drug store	39%	2.5	14%
Mass merchandiser	34	2.3	13
Supermarket	19	2.2	8
Other non-food	6	2.4	2
Other food	1	1.7	1
Convenience store	<1	1.8	<1
Warehouse club	<1	1.7	<1

Channel development based on 9,391 actual purchase transactions.

Consumer characteristics

Lifestage groups—share of all outlet unit sales

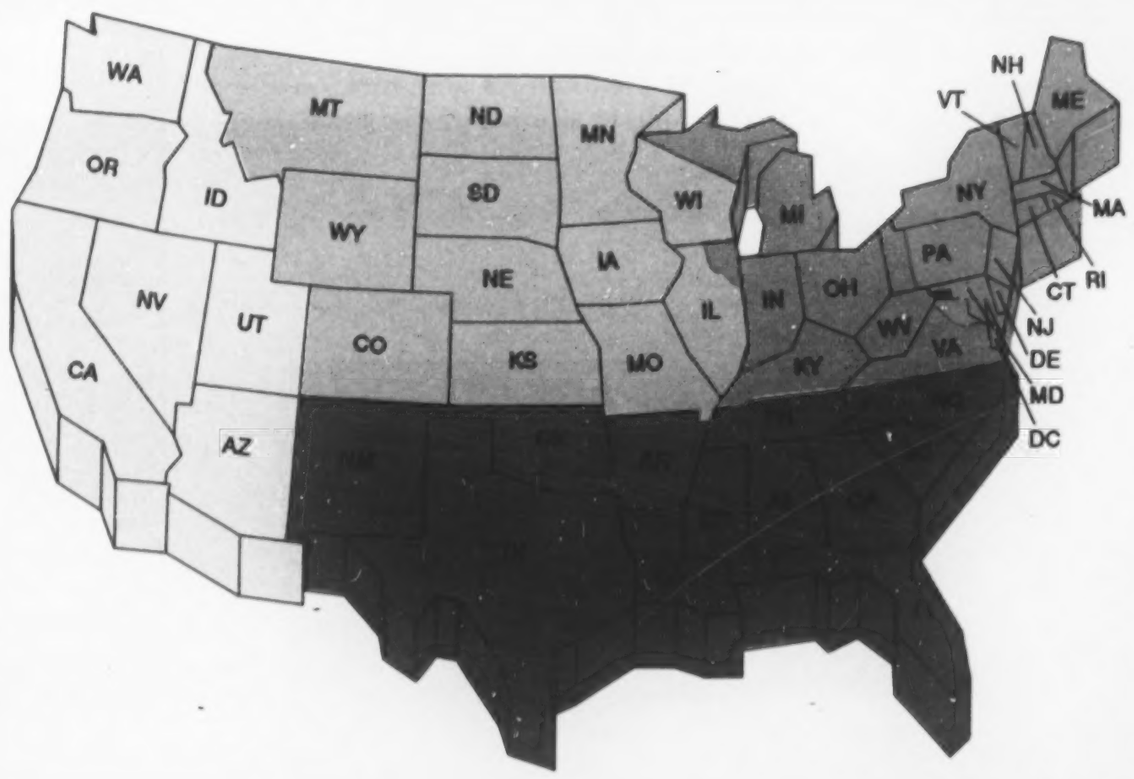
Lifestage groups	Percentage share of sales	Index	Average price	Penetration
Young singles	3%	64	$2.43	18%
Young couples/no children	3	57	2.75	20
New families	5	67	2.49	25
Maturing families	25	117	2.46	35
Established families	12	158	2.70	47
Mid-age singles	5	73	2.71	21
Mid-age couples/no children	11	109	2.76	33
Empty nester	26	113	2.74	37
Older singles	10	78	2.87	25

1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	29%	60%	59%
Households with children <13	28	32	29	29
Households with any teenagers	14	43	19	20
White households	86	31	87	87
Black households	11	27	10	11
Hispanic households	6	43	9	10
Metro (A and B counties)	72	31	73	76
Households with cable	59	32	60	62

Geographic region—share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Average price	Penetration
South	31%	102	2.61	33%
Pacific	21	119	2.75	34
Northeast	19	87	$2.68	28
East Central	15	108	2.50	32
West Central	14	86	2.60	28

Consumer characteristics based on 17,316 actual purchase transactions.
Source: Nielsen Marketing Research, NPD/Nielsen Inc.



Pacific | West Central | East Central | South | Northeast

Purchase dynamics	1990	1991	Change
Household penetration	29.6%	31.0%	1.4 pts
Purchase occasions (annual)	2.0	2.2	7.9%
Units per purchase	1.2	1.3	4.9%
Dollars per purchase	$3.18	$3.44	8.2
One-time buyers	50%	48%	−2 pts
Male primary purchase	8%	7%	−1 pts

Other definitions
1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean
Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.

Clear forms and a focus on men freshen deodorant sales

The arrival of new and repositioned men's deodorant products could take a bigger bite out of unisex brands. Sports themes are popular among male users.

The deodorant/anti-perspirant category heats up with the introduction of clothes-friendly clear forms, new men's products, technology and scent innovations and more choices for consumers with sensitive skin.

By Allene Symons

Deodorants and anti-perspirants are a very personal product, so it's no surprise that manufacturers play up every personal image angle to reach men, women, teens and consumers with sensitive skin. At the same time, manufacturers continue to cover their bets with unisex product for multi-user households.

But with a trio of new men's products reportedly ready to launch this fall, some unisex deodorants could lose shelf space to products with stronger gender identity.

Women already buy more product in the deodorant/anti-perspirant category than do men. Most women choose an anti-perspirant, a stronger formulation with an aluminum complex as the active ingredient, while men often choose a deodorant or a female shopper buys it for them. When Fabergé introduced its Lady Power Stick line last fall, it launched only in the anti-perspirant form.

The hottest news rocking the category, as McKesson buyer Rhea Palmer notes, is the clear formulation first released earlier this year.

"Right now, the big trend in deodorants is clear—Ban, Mennen. Those items are really taking off," says Palmer.

The reason for the action with Mennen's Lady Speed Stick Crystal Clean and Ban Clear—as Ban's ads proclaim—is that it doesn't "mess your dress." The aluminum active ingredient in anti-perspirants leaves a white deposit on the skin and clothing, while clear does not.

Robin Koon at the Horton & Converse chain in California also notes that clear gives the perception of a natural product, a plus for today's consumer.

Since the anti-perspirant represents more dollars than the deodorant, retailers are hoping for a clear anti-perspirant technology breakthrough soon. Plus, the men's market is ripe for conversion away from chalky underarms and toward more sport and fitness definition.

Gender sells

New on the market this summer is Mennen's Speed Stick Hypo-allergenic sensitive skin formula, the first of its kind for men. Deodorant manufacturers are tight lipped about other soon-to-be-introduced products for men. Arrid would not confirm reports that it is introducing a new clear deodorant for men this fall—and, according to several reports, reps are already showing a clear gel from Gillette.

Although Gillette's policy is not to discuss unreleased product, buyers told *Drug Store News* that Gillette will introduce a coordinated line of men's products. Premium priced, it would be the first mass market line to offer what one buyer calls "orchestration" in a male scent. Says another buyer: "I think the Gillette introduction will draw men away from unisex deodorant into using a brand designed for males."

Everyone wants a bigger share of the mens' market. Fabergé Power Stick recently moved from a lower-priced to a higher efficacy positioning, backed by its Jimmy Connors media campaign ("50 percent more power per stroke") which broke in May.

Women won't be neglected in upcoming campaigns, however. Ready to ride in on the success of its Shower to Shower bath powder, a tie-in deodorant for women from Johnson & Johnson "is on the horizon this year," says J & J's Jeff Leebow. And Gillette is repositioning Dry Idea, initially launched as unisex, for the female market.

Also look for more teen/young women segmentation. Gillette's Soft and Dri already skews to a younger female group as does Ban's Fresh and Dry. Mennen's Teen Spirit anti-perspirant/deodorant offers a separate choice for a highly self-conscious group.

Bartell's Lisa Scott calls the Mennen line "fun, with flowery fragrances" and adds: "Teen Spirit did better than expected. I thought teenagers would not want to use something designated for teens."

Carter-Wallace's Lady's Choice tempts female consumers with a new peach scent. The novelty or curiosity factor plays well at first, says Koon at Horton & Converse: "It seems whoever comes out with newest one—bam! It sells well, then sometimes it dies. I feel that people tend to experiment."

Scent menu

Mitchum's anti-perspirant is one of the few lines staying with basic scents—scented, unscented and powder for Lady Mitchum. "We're not looking to be the flavor-of-the-month club," says Alida Curcio, Revlon's senior vp of marketing.

One high-volume buyer told *Drug Store News* that regular scent still commands around 25 percent of this firm's deodorant/anti-perspirant sales, baby powder about 20 percent, unscented 10-12 percent, clean/fresh 10 percent and sports/spice 10 percent, with the remainder in other scent categories. Bartell's Scott reports that unscented deodorants sell very well in her market. She also notes that the "fresh" scents sell cross gender.

Says Gillette's assistant communication manager Michelle Szynal: "Our research shows that the biggest trend isn't in fragrance but micro-encapsulated technology—when fragrance is released over time during the day. This is activated by heat, so more fragrance is released as you need it."

By the end of this year, all Gillette's products will feature this technology, says Szynal. Helene Curtis's body-heat activated Degree aims for a similar market segment, while other lines like Mennen are also formulated with "micro capsules."

New technology

Clear deodorants contributed to a shift in the deodorant/anti-perspirant market in the last 12 months ended July 1992. Anti-perspirant sales

Continued on page 56

Deodorant/anti-perspirant sales trends

Segment	Current 12 mo. $ (millions)	Prior 12 mo.	Current 12 mo. share	Prior 12 mo. share	$ vol. % change
Solids/sticks	$199.4	$190.7	55.1%	53.1%	5%
Roll-ons	74.2	77.4	20.5	21.6	– 4
Sprays	70.7	75.7	19.6	21.1	– 7
Creams	8.0	8.8	2.2	2.5	– 10
All others	5.4	6.1	1.5	1.7	– 11
Pumps	4.0	0.4	1.1	0.1	872
Totals	361.8	359.1	100.0	100.0	+ 1

Source: Towne-Oller & Associates, 12 mos. ended July 1992.

Clear forms and mens' deodorants freshen sales

Continued from page 55
dipped from $281.2 million to $273.7 in factory sales during that period, while the smaller deodorant market moved up 13 percent from $77.9 to $88 million, according to Towne-Oller. Among the half dozen forms, solids/sticks showed the most growth with a 5 percent increase.

Koon of Horton & Converse reports, "sticks are clearly what's happening. A couple of years ago roll-ons were hot."

According to Mennen spokesperson Jennifer Marcus, the stick/solid is the leading form for both men (61 percent) and women (51 percent). For women, next in popularity is the roll-on (33 percent) while men equally prefer roll-ons and aerosols (18 percent for each).

Sprays, pumps and aerosols appeal as a noncontact form for multi-user households and to many men who prefer a fast spritz rather than a roll-on trail on their underarm hair.

But aerosols are declining in sales, both due to consumer awareness and as states like California and New York move closer to environmental regulations restricting volatile organic compounds.

The latest noncontact deodorant is the pump, introduced last year in Old Spice and Sure ProPump from Procter & Gamble, a form which reached factory sales of $4 million from a half million the previous year. But the noncontact market is still untamed, say buyers.

One high-volume buyer observed that the pump seems too wet, while another buyer from a Midwest chain says of the pump: "I think people perceive the small bottle as not having as much value" as larger forms.

On the other hand, P & G's Kimberly Steward reports that consumers are responding favorably to the pump's portable convenience, plus she notes that it offers advantages for shelf display.

Sweet price

Buyers generally agree that deodorant manufacturers price against the brand targeting the same market segment or offering comparable benefits.

In a different strategy, Helene Curtis's Suave deodorant

Continued on page 58

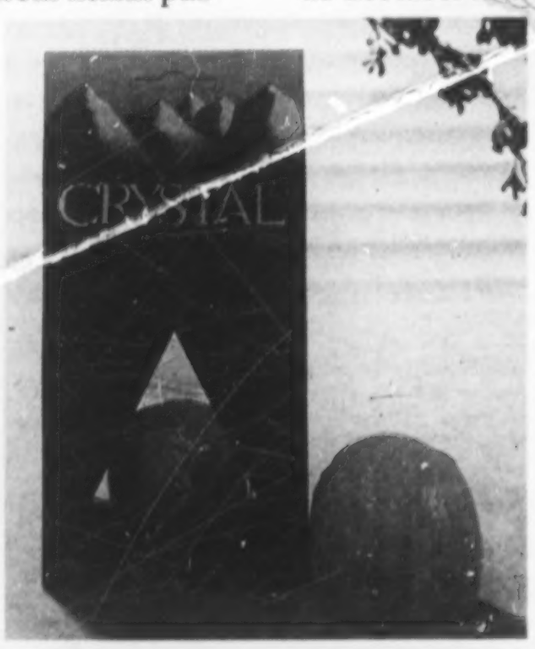
DRUG STORE NEWS
ADVERTISEMENT

Inferior natural deodorant knock-offs a liability risk for drug stores

Falsely labeled knock-offs of French Transit's Crystal Body Deodorant threaten the niche the product has created.

BURLINGAME, Ca.—French Transit, Ltd. has created a niche in the deodorant category out of a crystal-like stone made of mineral salts which is made in France.

Since it's introduction in 1984, the company's Crystal Body Deodorant, a 100 percent natural product made of nothing but natural mineral salts, has singlehandedly created a new upscale niche in the category, has garnered support from health publications and has even been recommended by physicians for patients with sensitive skin.



But success has had its down side for the company. In the past two years, a wave of inferior knock-offs have been brought to the market. French Transit president Jerry Rosenblatt fears that those products may undercut the solid reputation of his product and erode the niche Crystal Body Deodorant has created.

"The knock-offs could really harm the category if consumers have a bad experience with one of those products," said Rosenblatt. A bad experience may be likely, he says, since none of the knock-offs contain potassium, the mineral salt that makes the product effective.

When moistened and spread under the arm (or on the feet), the palm sized crystalline stone leaves an invisible trace of mineral salts on the skin. Rather than clogging the pores the way antiperspirants work or masking the odor as other deodorants do, Crystal Body Deodorant actually eliminates odor by killing the bacteria that causes odor,' said Rosenblatt.

More than market encroachment

French Transit has had an independent lab do tests on all knock-off products on the market and found that not one contained potassium, although two claimed to. Many contained nothing but aluminum. Other products were found to contain carcinogenic materials.

"These knock-off products are imported from the Orient and either do not label their ingredients or falsely state them," said Rosenblatt. This is a clear violation of FDA regulations, but since manufacturers are not required to send their packaging to the FDA, the packaging often goes undetected for some time by the agency. These products are being sold illegally in the U.S. and at least one of these products also violates U.S. customs regulations as well.

By falsely stating their ingredients, the products are guilty of false advertising and are involving stores in liability to the consumer.

"These products are trying to blur the distinction between Crystal Body Deodorant and their products," said Rosenblatt. If these knock-off products correctly stated their ingredients, the consumer would know that there is no similarity. "They are surviving off the marketing and advertising French Transit has done to create the category and maintain the demand for the product," said Rosenblatt. "Many of the products are packaged to resemble our product and that confuses customers."

Rosenblatt said that along with the glowing letters the company has received for Crystal Body Deodorant, French Transit has also received angry letters from customers complaining about knock-offs they mistakenly believed to be French Transit's product.

Rosenblatt also fears that the knock-offs will undercut the support the hypoallergenic product has received from the medical community.

Buyers: Beware

Buyers should be cautious when looking at products that claim to have the same benefits as Crystal Body Deodorant. "With any product, any time you're looking at a knock-off, you're looking at an inferior product. In this case, buyers are really being offered junk," said Rosenblatt.

"Buyers have to be careful and think about what they are offering to their customers. Many of these products imported from the Orient aren't tested and can be very harmful to consumers. These fly-by-night operations could be out of business tomorrow, and stores can be left with a tremendous liability from consumers," he said.

What's his advice to buyers? "You can't just buy on price. Ask for proof of ingredients and be very wary of any thing that looks like a knock-off. Buy the real thing."

The first—and only—upscale deodorant

▲Crystal Body Deodorant is natural, contains no harmful chemicals, dyes or perfumes. It's not sticky and doesn't stain clothing, clog pores or irritate the skin, even after shaving.

▲The product carries a suggested retail price of $9.95 and lasts for a minimum of one year, making it a bargain for the consumer.

▲Crystal Body Deodorant has created sales without cannibalizing sales of other deodorants.

For more information on Crystal Body Deodorant, please call or write French Transit, Ltd., (800) 829-ROCK, 1745 Adrian Rd., Burlingame, CA 94010

'Green' deodorants safe for the earth

A unique product in the emerging natural deodorant category is Crystal Body Deodorant, a deodorant in the shape of a crystal stone, from French Transit in Burlingame, Calif.

The unscented product contains natural mineral salts which kill odor-causing bacteria "and still allow the body to perform properly all day long with no odor," explained French Transit president Jerry Rosenblatt. He notes that it sells in line and as a cosmetic impulse item (SRP $9.95), and since it makes a good conversation piece, Crystal body deodorant does "a huge Christmas business," says Rosenblatt.

Tom's of Maine natural deodorant and anti-perspirant (in stick and roll-on) target consumers who have a reaction from other products. Its deodorant includes ingredients such as lichen and coriander, and is alcohol- and petroleum-free; the antiperspirant includes aluminum sulphate but has a "fairly large molecule so it is not absorbed by the skin," Catano explains.

Environmentally packaged, the glass roll-on units are refillable (top pops off) and recyclable. Although priced higher than other deodorants, Catano explains, "when [consumers] buy the refill system they begin to see significant savings."

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